

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

**Gregory Scott
Edward A. Garvey
Joel Jacobs
Marshall Johnson
LeRoy Koppendrayner**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

**In the Matter of a Petition by Northern
States Power Company d/b/a Xcel Energy
for Approval of Changes to the Controlled
Air Conditioning Riders**

ISSUE DATE: May 14, 2001

**DOCKET NOs. E-002/M-01-46
E-002/M-99-1734**

**In the Matter of a Request by Northern
States Power for Modification of the
Controlled Air Conditioning Riders**

**ORDER APPROVING TARIFF CHANGES
WITH MODIFICATIONS AND
REQUIRING REPORT**

PROCEDURAL HISTORY

On December 13, 1999, Northern States Power Company proposed modifications to both its Residential Controlled Air Conditioning and Water Heating Rider and its Commercial and Industrial (C&I) Controlled Air Conditioning Rider (Saver's Switch Programs).

On March 2, 2000, the Commission approved all the proposed modifications except that the Commission only gave temporary approval to proposed language eliminating the six-hour per day limit on curtailment for both the Residential and C&I Saver's Switch tariffs.¹ The approved modifications, as well as the temporarily approved changes, were effective March 13, 2000.

In the March 2, 2000 Order, the Commission ordered the Company to file a report assessing the reasonableness (effectiveness) of the financial incentives offered to customers in its Saver's Switch Programs in light of the removal of the six-hour limitation on curtailment, and to report complaints, cancellations of service under the Saver's Switch Programs and return to firm rate service, control days, and system emergencies related to the Saver's Switch Program, as well as any program enhancements.

On December 1, 2000, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed its compliance report.

¹ ORDER APPROVING PROPOSED TARIFF CHANGES AND REQUIRING REPORT in Docket No. E002/M-99-1734, In the Matter of a Request by Northern States Power for Modification of the Controlled Air Conditioning Riders.

On January 10, 2001, Xcel filed a request to make permanent the tariff changes conditionally approved by the Commission on March 2, 2000.

On February 16, 2001, the Department of Commerce (DOC) filed comments recommending approval of the tariff language on a permanent basis with certain modifications.

On February 26, 2001, Xcel filed reply comments indicating it had no objection to the DOC's proposed modifications.

On April 26, 2001, the matter came before the Commission.

FINDINGS AND CONCLUSIONS

I. Background

Since 1991, the voluntary Saver's Switch Programs have been part of the Company's marketing efforts to control summer peak demand. On December 13, 1999, Xcel proposed modifications to its Saver's Switch Programs. These modifications were approved by the Commission with one exception. That exception was that the Commission only temporarily approved Xcel's proposal to eliminate the six-hour per day limit on curtailment for both the Residential and C&I Saver's Switch. Xcel is now asking the Commission to make this temporary modification permanent.

II. The Saver's Switch Program (including the temporary modifications)

A. The Residential Saver's Switch Rider

Those customers with central air conditioning that choose to participate in the Saver's Switch Program receive a 15% discount on their energy charge up to 4,000 kwh per month during the billing months of June through September. In return, the Company may cycle the customer's air conditioning on a schedule of 15 minutes on and 15 minutes off in any 30 minute portion of a load management period. These interruptions would normally occur on high demand days during summer months.

Those customers with electric water heating that choose to participate in the Program receive an additional 2% discount on their energy charges up to 4,000 kwh per month during each billing month, provided that total energy use is not less than 300 kwh. Water heating interruptions would generally occur on high demand days during summer and winter months.

B. C&I Saver's Switch Rider

Under the C&I Program, non-residential customers with central air conditioning receive a \$5.00 per ton per month credit during the months of June through September in return for permitting the Company to interrupt service on high demand days in the summer months. The frequency of interruptions would vary with single and dual stage air conditioning units.

C. Status of the Program

As of the end of 2000, the Saver's Switch Program had a total of over 220,000 participants. The Company expects to recruit at least 15,000 new participants annually, has cancellations running, on average, less than one percent, and the program represents load relief of 190 MW.

III. Xcel's Request to Make Permanent the Approved Temporary Changes

Xcel proposed to make permanent the elimination of the six-hour limit on curtailment for both Residential and C&I Saver's Switch with an effective date prior to March 12, 2001. Xcel's request was based on its assessment of customer's reactions to this change.

Xcel's ability to assess customer's reactions to the change was limited in 2000 since the summer of 2000 was cool and the company called only five control periods. The summer of 1999, however, was hot and there were twelve control days with interruptions for periods longer than six hours, sometimes up to 13 hours, due to extreme conditions. Xcel's assessment showed that at the end of 1999 over 98% of the Residential Saver's Switch participants had stayed in the Program and over 99% of business customers had remained on Saver's Switch. Xcel argued that these results suggest that the benefits of participating in the Saver's Switch Program for most customers outweigh the costs associated with the increased lengths of a small number of control periods.

Xcel further suggested that with 98% of the residential customers and 99% the business customers staying in the Programs after the 1999 weather conditions, the discounts associated with the Programs were sufficient to attract and retain customers even with the expanded right to control.

Xcel also indicated that the economic growth in Xcel's service territory has resulted in additional air-conditioning penetration and usage. Because of this, the duration of the daily hours of peak demand for Xcel's system and for the Mid-Continent Area Power Pool (MAPP) region have increased over the past few years. During the summer of 1999, peak demand on extremely hot days occurred earlier in the day and continued longer into the evening than it had done in previous years. As a result, on days of extreme weather conditions, load management curtailment periods of 8 to 9 hours had additional reliability and cost benefits for all customers. Xcel stated it would like to continue the option to extend the control period beyond six hours in extreme conditions. Xcel anticipated that the number of days that the control period would exceed 6 hours would be very small.

IV. The DOC's Comments

The DOC stated that it recommended that Xcel's petition to make permanent the existing tariff language for the Saver's Switch Riders for both Residential and C&I customers be approved with the following modifications:

- limit the number of hours of interruptions to 300 per year;
- require Xcel to notify all customers on the rate of the changes to the rider

- within 60 days of this Order;
- restrict Xcel's use of the tariff only to serve native load during periods of high demand or when system reliability is in jeopardy;
- require Xcel to file an annual compliance filing by December 1 each year, providing the following information for both residential and C&I customers, in separate tables:
 - total number of participants
 - number of new participants that year
 - number of new cancellations that year
 - Saver's Switch complaints to the Commission
 - Saver's Switch complaints to the Company
 - control days;
 - total yearly control hours
 - number of system emergencies
- require Xcel to file a report on possible tiered offerings by December 1, 2001.

The DOC indicated that Xcel has used the Saver's Switch less than 100 hours annually and under this practice the DOC had no concern about unlimited control. The DOC noted, however, that because this practice could change it was recommending that Xcel include a maximum of 300 hours of interruption per year in the Riders. The DOC indicated that this limit would give Saver's Switch customers the same protection that customers on Xcel's Tier 1 Energy Controlled Service Rider receive.

The DOC stated that since this program was designed to meet the needs of firm customers, the Riders should be restricted to serving firm customers during periods of high demand or when system reliability is in jeopardy.

The DOC recognized the importance of the Company's reporting annually on how the revised Riders operate during a period of high demand so that the Riders may be revised as needed. For this reason the DOC recommended annual compliance filings.

As to the issue of a tiered rate, the DOC stated that discussion of a tiered offering may have merit. However, the DOC recommended that the parties explore creating a tiered offering as part of a separate process so as not to jeopardize the operation of the current tariff. The DOC argued that changes to Saver's Switch should be kept to those necessary for future success of the program.

V. Commission Action

In this time of nationwide concerns about power shortages and rising energy costs, the Commission recognizes that it needs to explore every possible avenue to conserve energy and maintain reasonable costs. The Commission recognizes that the number of participants in the Saver's Switch Program has been regularly increasing. At this time, the Saver's Switch Program should continue. However, it is reasonable to explore whether such a program could be used in a more efficient manner. Also, it is reasonable to explore other means and

directions that can be instituted by the Company to achieve these goals.

For the above reasons, the Commission will make permanent the elimination of the six-hour per day limit on curtailment, with the conditions recommended by the DOC, and agreed to by the Company, including a compliance filing due December 1, each year. The Commission will also order a report from the Company, due June 15, 2001, that addresses: a) possible tiered Saver's Switch offerings; b) an analysis of the cost of the Saver's Switch Program vis-a-vis the cost of using other resource options for meeting demand (such as peaking, wholesale) and other load shedding mechanisms; c) Xcel's proposal for implementing real-time pricing both in the consumer market and the commercial and industrial markets in Minnesota.

ORDER

1. Xcel's petition, as filed January 10, 2001, to make the Residential Controlled Air Conditioning and Water Heater Rider and the Commercial and Industrial Controlled Air Conditioning Rider permanent is approved with the following modifications:

- Xcel shall limit the number of hours of interruption in both Riders to 300 per year
- Xcel shall notify all customers on the rate (residential and C&I) of the changes to the rider within 60 days of this Order
- Xcel shall modify the Riders to state that Xcel's use of the tariff will be limited to serving native load during periods of high demand or when system reliability is in jeopardy
- Xcel shall file an annual compliance filing by December 1 each year, providing the following information for both residential and C&I customers, in separate tables:
 - total number of participants
 - number of new participants that year
 - number of new cancellations that year
 - Saver's Switch complaints to the commission
 - Saver's Switch complaints to the Company
 - list of individual control days and the reasons for instituting control on that day
 - total yearly control hours
 - number of system emergencies

2. By June 15, 2001, Xcel shall file a report with the Commission that includes:

- possible tiered offerings
- an analysis of the cost of the Saver's Switch Program vis-a-vis other generation purchase mechanisms like peaking, wholesale, and other load shedding methods, to the extent appropriate
- Xcel's proposal on how to implement real-time pricing in both the Consumer

and C&I markets in Minnesota.

3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), (651) 297-1200 (TTY), or 1-800-627-3529 (TTY relay service).